

# ETEXT ATTACHMENT

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October 22, 2002

Antoinette Kitchen  
Senior Campaign Finance Analyst  
Reports Analysis Division  
Federal Election Commission  
999 E Street, N.W.  
Washington, D.C. 20463

PR:PAmdended Mid-Year End Report (1/1/01 -6/30/01)  
UUAmended Year End Report (7/1/01-12/31/01)

Dear Ms. Kitchen:

This letter is the response of The Madison Project Inc. to John Gibson's letter of October 3, 2002.  
The letter requested clarification of the nature of the "second account" and the "de minimis" non-federal expenses.

As explained previously, The Madison Project Inc., a membership organization, is a bundling PAC.  
Dues and any corporate contributions received are set aside in the "second account," or the non-federal account.  
The "second account" then, is an operating or administrative account, and the federal account is the federal account.

As you are aware, federal law permits a federal account to use its own funds to pay operating expenses.  
As explained previously, when invoices for administrative expenses were received, the federal account transferred the  
amount of money necessary to pay the expenses to the operating/administrative account before the expenses are paid.

Therefore, all administrative expenses were paid for with federal funds. No portion of the transferred funds were used  
for  
anything other than federal operating/administrative expenses.

It is also important to note that during the period covered by the reports listed above, no contributions to candidates,  
either  
from the federal or from the operating/administrative account were made. The de minimis non-federal activity was a mail-  
ing,  
which is done once every two years, and was paid for using non-federal funds out of the operating/administrative account.

There were no mixed federal and non-federal activities, so there was nothing to allocate. The federal and non-federal  
accounts

do not share administrative expenses because the non-federal account pays its own de minimis expenses. Furthermore, the  
federal account does not make disbursements in connection with both federal and non-federal elections.

In summary, the federal account transferred one hundred percent (100%) of the amount needed to pay the administrative and  
overhead expenses associated with the federal account to the non-federal account and these expenses were paid immediately  
after transfer. Because the expenses were paid for entirely with federal funds, the transfer does not violate the spirit  
of the law.

## **ETEXT ATTACHMENT**

Beginning October 1, 2002, The Madison Project will pay all operating expenditures out of the federal account.

The Madison Project can demonstrate that sufficient federal funds permissible under the Act were received by the non-federal account to permit payment of these operating expenditures solely with federal funds. The Madison Project will not amend its reports absent guidance from the Commission, but is willing to revise its reports to itemize

the operating and administrative expenses if the Commission deems necessary. I hope that this information is responsive

to your questions. Should you have further questions, please do not hesitate to contact me.L

Very truly yours,  
Michael D. Bowman  
President  
Madison Project

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